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Cash Rental Rates in Ontario, 1984

ECONOMICS AND POLICY
COORDINATION BRANCH

ONTARIO MINISTRY OF AGRICULTURE AND FOOD
LEGISLATIVE BUILDINGS, TORONTO, ONTARIO, M7A 1B6

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CASH RENTAL RATES IN ONTARIO, 1984

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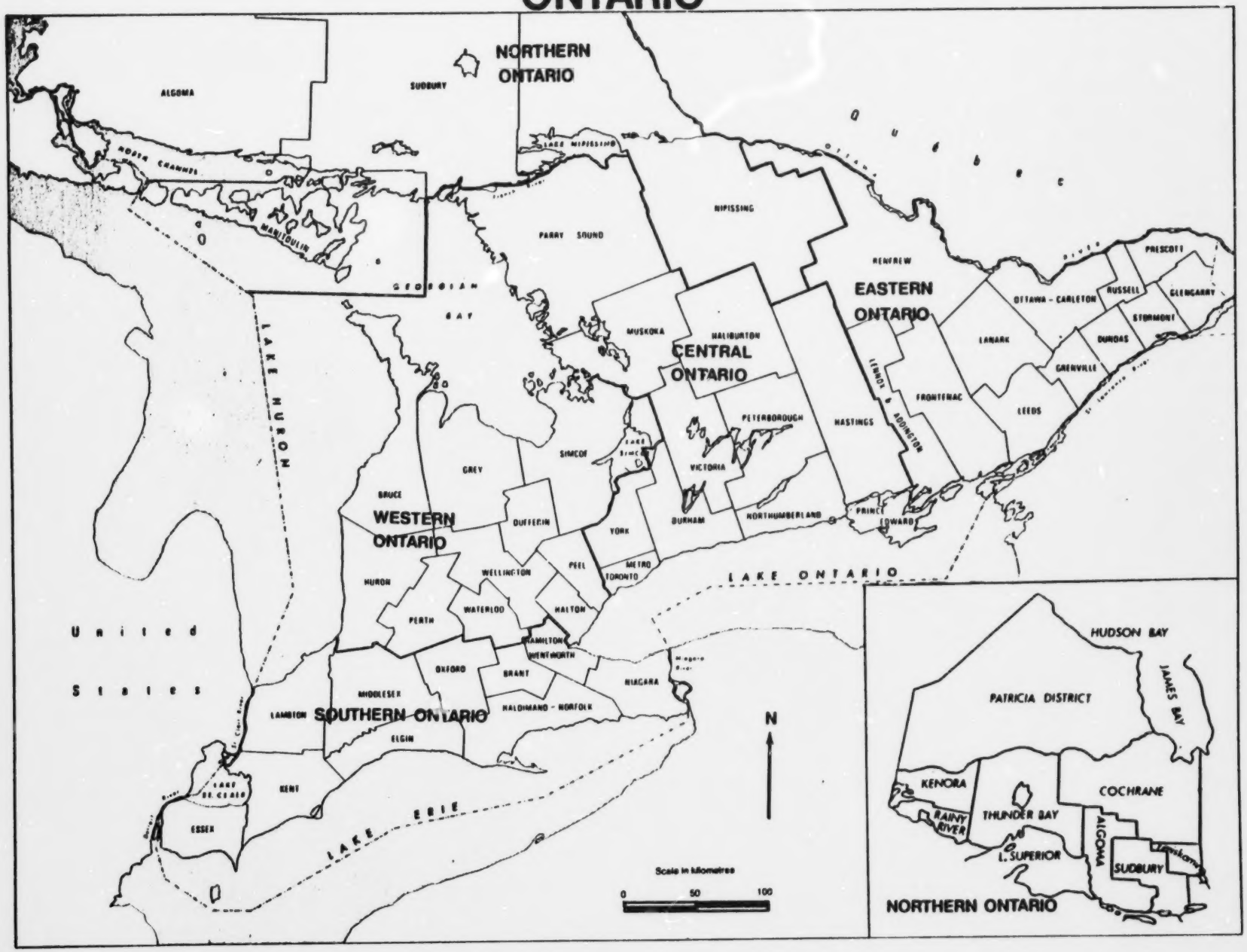
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INTRODUCTION

The high cost of land has been one of the contributing factors to an increasing number of farmland rentals in Ontario. Through the use of land rental arrangements, farmers are able to gain control of land without the large amounts of capital required to purchase it. There are many types of farm rental arrangements which are determined by preferences of the parties involved, local customs and traditions. Some landlords and tenants prefer cash rental leases, while others like sharecrop agreements. Sharecrop agreements allow the landlord and the tenant to share the crop yield in the same proportion as they contribute inputs.

Under a cash lease agreement, the tenant agrees to pay the landlord a specified amount for use of the property and any other considerations. The tenant normally receives all income from the farming activity and pays all expenses, except taxes, building insurances and maintenance on buildings, land and fences unless otherwise agreed.

In 1982[1] a study was carried out by the Economics and Policy Coordination Branch to determine average cash rents paid across Ontario as well as the conditions and arrangements under which cash and sharecrop rental agreements were made. A study conducted in 1984 provided an update of the information on average cash rents paid in Ontario. Tables 4, 5, and 6 show comparisons between information on cash rents collected in both the 1982 and 1984 surveys.

METHODS

Staff members from Statistics Canada assisted in the design and selection of a sample of farms throughout Ontario. The 1984 Ontario Farm Rental Survey was incorporated into their National Farm Survey. The objectives of the National

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[1] G.A. Fisher, Farm Rental Arrangements in Ontario, 1982, (Toronto: Economics Branch, Ontario Ministry of Agriculture and Food 1983).

Farm Survey, which has been in existence since 1971 are to collect estimates on a wide range of items such as land use, livestock, farm income and operating expenses. Sample data pertaining to cash rents was collected by means of a personal interview. All counties and regional municipalities of southern Ontario were represented by cash rental rates except the districts of Parry Sound, Haliburton and Muskoka. In northern Ontario only the districts of Timiskaming and Manitoulin are represented.

There were a total of 2,393 replies received. Of this total, 1,295 or 54 percent indicated that they were not renting land in 1984 and 189 or 8 percent were incomplete. For summary and analysis 909 responses were used.

The areas of Ontario surveyed in this study correspond to the regions appearing in Publication 20, Agricultural Statistics for Ontario, with the exception of the southern region which was divided into two parts (see map). All questionnaires were returned to the Economics and Policy Coordination Branch, in Toronto where they were checked and prepared for computer summation and analysis.

CASH RENTAL ARRANGEMENTS

The total value of cash rent paid for cropland on the survey was $6.8 million. The total area of rented land included in the sample was 69 614 hectares and the total number of parcels was 2,034 (Table 1).

The average cash rent paid for Ontario farmland surveyed in 1984 was $99 per hectare. In 1982, a similar survey found the average rent was $121 per hectare (Table 1). The difference may be due to a different sample of farmers surveyed between the two years and the fact that land values have declined. Therefore, farmers are paying lower rent.

Area 1, in southern Ontario, had the highest average rent at $188 per hectare. Counties in this area with rents above the average were Kent at $247 and Essex at $208 per hectare. The average cash rent paid per hectare declined from Area 1 across Ontario to Area 6. Northern Ontario had the lowest cash rent at $12 per hectare and eastern Ontario was $30 (Table 1).

In Area 2, both Brant County at $245 and Oxford County at $190 per hectare, were above the average rent which was $129 per hectare. Average cash rents in Area 3, ranged from a low of $30 per hectare in Dufferin County to a high of $173 in Perth County. Cash rental rates for Area 4 ranged between $40 and $49 per hectare with the average being $45 (Table 1). Hastings County was an obvious exception at $17 per hectare.

There were only two districts in northern Ontario that supplied enough responses to provide meaningful averages. For Manitoulin and Timiskaming, the average cash rental rate was $12 per hectare (Table 1).

The pattern for cash farm renting varies from county to county and within each area. Extremely wide ranges in cash rental rates occurred within each county and district of Ontario. These rates vary in many southern Ontario counties due to differences in the potential gross returns of the highly specialized crops grown. Differences in rates also vary because of the wide range of soil types in many counties. Often there will be restrictions due to topography, drainage and texture. Counties with the highest average cash rents per hectare were Kent at $247, Brant at $245, Essex at $208 and Oxford at $190. Each one of these counties has soil and climate adaptable to specialty crops such as tomatoes, tobacco and many vegetable and fruit crops (Table 1).

On the other hand, counties or regional municipalities with productivity limited by topography and climatic conditions have lower cash rental rates. Those areas are generally devoted to livestock production. Lower value crops such as hay, forages and small grains predominate in these areas. Lower land rental rates occurred in Areas 4, 5, and 6 where average cash rents varied from a low of $17 per hectare in Hastings and Frontenac counties to a high of $54 per hectare in Prescott County (Table 1).

CASH RENTAL ARRANGEMENTS BY CROP

All questionnaires were classified and analyzed according to crops grown within each area. There were ten categories in all:

Cash crops general	Some combination of corn soybeans, white beans, or other row crops grown on the same parcel of land
Corn	All corn
Soybeans	All soybeans
White beans	All white beans
Specialty crops	All vegetables, all fruit, tobacco, potatoes and nursery stock
Forages general	Some combination of hay, pasture, grass silage or haylage
Hay	All hay
Pasture	All pasture
Small grains	Includes oats, barley, wheat, flax or canola
General	Includes crops that could not be identified on the questionnaire or crops or combinations that could not be classified according to the above categories.

The average of all rented land in the sample was $99 per hectare. The rent paid for the high valued specialty cropland was $179 per hectare. Land for soybeans rented for $172 per hectare. Across the province the average cash rent paid for corn land was $141 per hectare and for cash crops general the average rent was $131 per hectare. Other crop rental rates per hectare were: small grains - $71; general forages - $39 and hay - $42 (Table 2).

Results from the sample suggest that the proportion of land rented for growing cash crops declined progressively from Areas 1 to Area 5. For example, in Area 1 the proportion of all cash crops amounted to 82 percent and declined to 14 percent in Area 5 and none in Area 6. The proportion of specialty crops ranged from 2 to 6 percent in Areas 1 to 4 where these crops were grown. The proportion of hay, pasture and general forage crops ranged from a low of 1 percent in Area 2 to a high of 80 percent in Area 6. Throughout all areas small grains ranged from 2 to 13 percent.

Corn was the major crop grown throughout the province. Average rental values ranged from a high of $190 per hectare in Area 1 to a low of $49 per hectare in Area 5. The average for all of Ontario was $141 per hectare (Table 2).

Small grains were the next most important crop. The average rental value for the province was $71 per hectare. Values ranged from a low of $42 per hectare in Area 4 to a high of $111 per hectare in Area 1 (Table 2).

Soybeans were grown in all regions except Area 5. Cash rental values varied from a low of $44 per hectare in Area 4 to a high of $198 in Area 1. The average value for Ontario was $172 per hectare (Table 2).

Average cash rental rates for hay and pasture were $42 per hectare and $26 per hectare, respectively.

CASH RENTAL AGREEMENTS

Cash rental agreements can either be written or oral. Verbal leases offer some protection for both the landlord and the tenant. A verbal lease for more than one year is enforceable and valid. However, it is wise to have all conditions of agreement in writing.

A good written lease should contain the following: date of agreement, the full names of the landlord and tenant, a legal description of the property in question,

the amount and payment schedule of rent, and the length of the lease. Other factors to consider are responsibility for taxes and right of entry.

In spite of the problems and risks that can occur when verbal agreements are made, Ontario farmers are still initiating a high proportion of verbal agreements. In this survey approximately 40 percent of all agreements were verbal, 55 percent were written, and in 6 percent of the cases, there was no response.

This pattern of verbal versus written leases was consistent in all regions except Areas 4 and 5 where the proportion of verbal leases was only 29 percent. Quite likely the high incidence of livestock operations has brought about the need for longer-term protection for the tenant.

Table 1--Cash Rent Paid for Land by Area and County, Ontario, 1984

	Parcels	Area	Cash rent per hectare		
			Avg.	Inter-quartile range[a]	Most frequent
Area 1	no.	ha		-dollars-	
Elgin	61	1 810	168	117-198	198
Essex	74	1 330	208	111-371	247
Kent	71	1 565	247	140-371	297
Lambton	97	2 762	156	70-217	124
Middlesex	182	4 366	188	124-222	247
Total	485	11 833	188	70-371	247
Area 2					
Haldimand-Norfolk	40	2 113	72	27-53	37
Hamilton-Wentworth	115	4 113	101	39-149	247
Niagara	65	1 805	54	31-148	32
Brant	40	836	245	185-272	247
Oxford	126	4 314	190	148-227	148
Total	386	13 181	129	27-272	247
Area 3					
Bruce	101	3 338	62	30-99	49
Dufferin	23	1 003	30	12-29	25
Grey	72	2 163	40	15-62	25
Halton	34	1 453	62	36-103	37
Huron	117	5 177	156	124-247	247
Peel	41	1 376	42	25-62	25
Perth	57	2 264	173	124-198	148
Simcoe	123	3 671	44	25-62	49
Waterloo	54	1 432	62	120-173	124
Wellington	102	3 560	94	30-99	49
Total	724	25 437	91	12-247	49
Area 4[b]					
Durham	95	3 200	47	25-74	49
Hastings	24	901	17	5-33	--
Northumberland	19	399	49	19-33	25
Peterborough	27	977	40	25-53	25
Victoria	39	3 000	45	20-62	49
York	78	2 292	49	30-67	74
Total	284	10 776	45	5-74	49
Area 5[c]					
Glengarry	24	1 006	20	11-36	25
Prescott	15	573	54	26-62	32
Stormont	6	148	52	47-74	--
Ottawa-Carleton	13	807	17	15-40	25
Leeds	14	798	32	21-51	37
Lanark	13	509	30	9-99	17
Frontenac	10	745	17	8-23	--
Lennox-Addington	14	421	37	20-62	37
Total	117	5 214	30	9-99	25
Area 6					
Manitoulin	7	1 900	5	4-28	--
Timiskaming	31	1 273	20	8-27	27
Total	38	3 173	12	4-28	--
TOTAL PROVINCE	2,034	69 614	99	4-371	247

[a]The inter-quartile range is defined as the range that encompasses the middle 50 percent of all observations in the sample.

[b]Prince Edward County recorded less than 5 parcels rented and was not individually recorded but these numbers are included in the Area totals.

[c]The following counties recorded less than 5 parcels rented, and were not individually recorded, but their numbers are included in the Area total: Russell, Dundas, Grenville and Renfrew.

-- Insufficient numbers.

Table 2-- Cash Rents Paid by Crop, Ontario, 1984

	Parcels	Area	Cash rent per hectare		
			Avg.	Inter-quartile range[a]	Most frequent
	no.	ha		-dollars-	
Area 1					
Cash crops general	136	4 642	185	136-247	247
Corn	173	3 651	190	124-222	247
Soybeans	63	1 441	198	124-222	247
Specialty crops	47	550	324	143-168	494
Hay	11	180	145	75-210	99
Pasture	13	395	64	44-99	99
Small grains	17	249	111	70-143	99
General	25	725	158	99-185	99
Total	**485**	**11 833**	**183**	**44-247**	**247**
Area 2					
Cash crops general	66	4 168	119	37-124	--
Corn	169	4 139	168	74-126	247
Soybeans	13	583	84	49-185	--
Specialty crops	53	753	190	99-371	247
Hay and Pasture	5	103	74	23-247	--
Small grains	17	971	79	37-131	--
General	63	2 464	79	29-173	247
Total	**386**	**13 181**	**129**	**37-371**	**247**
Area 3					
Cash crops general	78	5 184	131	62-185	247
Corn	179	4 620	114	49-165	124
Soybeans	7	196	210	124-242	--
White beans	5	126	225	185-247	185
Specialty crops	28	679	57	26-157	--
Forages, general	14	480	42	15-74	30
Hay	40	879	69	16-165	--
Pasture	44	1 659	40	15-62	20
Small grains	107	3 280	72	25-111	49
General	222	8 334	72	30-99	49
Total	**724**	**25 437**	**91**	**15-247**	**49**
Area 4					
Cash crops general	29	2 549	62	103-390	62
Corn	54	1 433	62	62-275	49
Soybeans	6	163	44	37-117	--
Specialty crops	14	189	168	146-273	86
Forages, general	12	649	40	165-247	25
Hay	21	322	27	27-65	74
Pasture	33	2 003	35	55-110	12
Small grains	26	655	42	38-247	--
General	89	2 813	111	98-325	49
Total	**284**	**10 776**	**45**	**27-390**	**49**
Area 5[a]					
Corn	16	565	49	21-62	62
Hay	24	818	15	10-33	--
Pasture	16	1 376	12	4-25	25
Small grains	8	157	74	20-37	--
General	48	2 134	40	20-74	25
Total	**117**	**5 214**	**30**	**4-74**	**25**
Province					
Cash crops general	312	16 680	131	37-390	247
Corn	591	14 407	141	21-275	247
Soybeans	90	2 395	172	37-242	247
White beans	5	126	225	185-247	185
Specialty crops	143	2 187	179	26-371	494
Forages, general	27	1 209	39	15-247	30
Hay	117	2 957	42	10-247	74
Pasture	110	7 205	26	4-110	49
Small grains	179	5 401	71	20-247	49
General	460	17 047	65	20-185	49
Total	**2,034**	**69 614**	**99**	**4-371**	**247**

[a]The following crops recorded less than 5 parcels rented and were not individually recorded but were included in the sample: Cash crops general, soybeans, and specialty crops.
-- Insufficient numbers.

Table 3— Types of Cash Rental Agreements by Area, Ontario, 1984

Area	Verbal		Written		Unspecified		Total,
	No.	%	No.	%	No.	%	No.
1	200	41	262	54	23	5	485
2	199	52	177	46	10	2	386
3	286	40	392	54	46	6	724
4	82	29	190	67	12	4	284
5	34	29	77	66	6	5	117
6	18	47	16	42	4	11	38
Total	819	40	1,114	55	101	5	2,034

Table 4— Comparison of Average Cash Rent Paid per Hectare, by Area of Ontario, 1982 and 1984

Area	Average cash rent paid [a]	
	1982	1984
	- dollars per hectare -	
1	181	188
2	141	129
3	123	90
4	55	45
5	33	30
6[b]	-	12
Total	121	99

[a] Cash rent paid for total hectares in parcel.

[b] Northern Ontario area was not surveyed in 1982.

Table 5— A Comparison of Cash Rent Paid per Hectare According to Crop Grown, Ontario, 1982 and 1984

Crop	1982		1984	
	No. of parcels	$/hectare	No. of parcels	$/hectare
Corn	193	130	591	141
Soybeans	38	52	90	172
White beans	8	185	5	225
Wheat	12	72	-	-
Oats	6	18	-	-
Barley	16	43	-	-
Mixed grain	19	63	-	-
Small grains	-	-	179	71
Tobacco	13	812	-	-
Vegetables	18	266	-	-
Tomatoes	4	393	-	-
Potatoes	9	143	-	-
Fruit	5	238	-	-
Specialty crops	-	-	143	179
Hay	23	32	117	42
Pasture	13	66	110	26

- Not available.

Table 6— Comparison Between Types of Agreements by Area of Ontario, 1982 and 1984

Survey area	Type of agreement	1982[a]		1984	
		No.	%	No.	%
1	Verbal	126	44	200	43
	Written	158	56	262	57
	Total	284	100	462	100
2	Verbal	119	56	199	53
	Written	94	44	117	47
	Total	213	100	376	100
3	Verbal	239	60	286	42
	Written	158	40	392	58
	Total	397	100	678	100
4	Verbal	132	69	82	30
	Written	58	31	190	70
	Total	190	100	272	100
5	Verbal	80	73	34	31
	Written	29	27	77	69
	Total	109	100	111	100
6	Verbal	-	-	18	53
	Written	-	-	16	47
	Total	-	-	34	100
	TOTAL				
	Verbal	696	58	819	42
	Written	497	42	1,114	58
TOTAL		1,193	100	1,933	100

[a] Survey Area 6 which includes Northern Ontario was not surveyed in 1982.

- Not available

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